MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2015/2016

BFB1024 – FUNDAMENTALS OF BUSINESS AND ENTREPRENEURSHIP

(All sections / Groups)

31 MAY 2016
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **10 pages** with **50 Questions in Section A and 3 Questions in Section B**.

2. Attempt **ALL Questions in Section A and any TWO Questions in Section B.** The distribution of the marks for each section/question is given.

3. Write all your answers for **Section A in the OMR Sheet** and the answers for **Section B in the Answer Booklet** provided.

SECTION A (50%) – MULTIPLE CHOICE QUESTIONS (ANSWER ALL)

1. Which of the following is a benefit of entrepreneurship?
   A) The opportunity to do what you enjoy.
   B) The opportunity to gain control over your own destiny.
   C) The opportunity to reach your full potential.
   D) All of the above

2. Potential drawbacks of entrepreneurship may include:
   A) uncertainty of income, risk, easy hours, and frequent vacations.
   B) uncertainty of income, risk, long hours, and the immediate accumulation of wealth.
   C) uncertainty of income, risk, long hours, and high stress.
   D) certainty of income, risk, long hours, and high stress.

3. Entrepreneurial couples who work together as co-owners of their business are referred to as:
   A) dual entrepreneurs.
   B) corporate cast-offs.
   C) corporate dropouts.
   D) copreneurs.

4. Which stage of the creative process requires one to develop a solid understanding of the problem or decision?
   A) Illumination
   B) Verification
   C) Preparation
   D) Investigation

5. _____ thinking is the ability to see similarities and _____ thinking is the ability to see differences among various data and events.
   A) Convergent; divergent
   B) Convergent; transformational
   C) Divergent; convergent
   D) None of the above

6. Which of the following is not an enhancement to individual creativity?
   A) Listening to other people
   B) Recognizing the creative power of mistakes
   C) Working without breaks until the project is complete or the problem is solved
   D) Keeping a toy box in your office

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7. A disadvantage of the corporate form of ownership is when profits are taxed at the corporate rate and at the individual rate and this is referred to as:
   A) double liability.
   B) double taxation.
   C) single taxation.
   D) limited liability

8. Carlos founded the "Taco Factory" 20 years ago as a family-oriented restaurant. Over the years as they grew the business, he incorporated and sold stock to outside investors. Recently the stockholders voted to seek liquor licenses and to sell beer and hard liquor in the restaurants. Carlos opposed this, citing the history of the restaurant's "family" environment, but was voted down. Carlos has experienced which drawback of the corporate form of ownership?
   A) The potential for diminished managerial incentives
   B) Legal requirements and red tape
   C) The potential loss of control
   D) The inability to accumulate capital

9. Which of the following is not an advantage of the corporate form of ownership?
   A) Perpetual life
   B) Easy transfer of ownership
   C) Limited liability for the owners
   D) It is the easiest and least expensive form of ownership to create

10. Which form of ownership generally has the least ability to accumulate capital?
    A) Corporation
    B) Sole proprietorship
    C) Partnership
    D) S corporation

11. Carly will be presenting her business plan to potential lenders and investors soon. Which of the following is not one of the suggested helpful tips for presenting the business plan?
    A) She should avoid getting caught up in too much detail in early meetings with potential lenders and investors.
    B) She should use visual aids to make it easier for people to follow her presentation.
    C) She should use a great deal of technological jargon to impress the audience with her knowledge.
    D) She should demonstrate enthusiasm for the venture but avoid becoming overemotional about it.

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12. When creating financial forecasts in a business plan for a proposed venture, an entrepreneur should:
    A) present an overly optimistic view of what is ahead for the business.
    B) avoid including a statement of the assumptions on which financial projections are based.
    C) be sure that all forecasts are realistic.
    D) list all previous loans which are in default.

13. _____ is an entrepreneur's best insurance against launching a business destined to fail or mismanaging a potentially successful company.
    A) Bankrolling the business with plenty of startup capital
    B) Spending lots of money on marketing and advertising
    C) Hiring a team of accountants and attorneys as advisors
    D) Creating a solid business plan

14. The final aspect of the financial feasibility analysis combines the estimated earnings and the capital requirements to determine the:
    A) total capital requirements.
    B) rate of return on the capital invested.
    C) net profit.
    D) estimated earnings.

15. Guerilla marketing is a marketing approach that takes an unconventional, low-cost and creative approach to marketing that can give _____ a competitive edge over _____ competitors.
    A) larger companies; smaller
    B) small companies; larger
    C) entrepreneurs; small
    D) small companies; entrepreneurial

16. Studies of shifting patterns in age, income, education, race, and other population characteristics are the subject of:
    A) demographics.
    B) sociographics.
    C) psychographics.
    D) paleontology.

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17. An individualized (one-to-one) marketing campaign requires business owners to:
    A) practice "just-in-time marketing" by knowing what their customers' buying cycle is and time their marketing efforts to coincide with it.
    B) collect information on their customers, linking their identities to their transactions.
    C) calculate the long-term value of their customers so they know which ones are most desirable and most profitable.
    D) All of the above

18. Which of the following is not a primary market research source?
    A) Daily transactions
    B) Customer surveys
    C) Focus groups
    D) All of the above are sources of primary market research.

19. The unique selling proposition (USP) focuses on:
    A) emulating the most successful products in the industry.
    B) a feature that is unlike others found in competing products that answers the question: What is different?
    C) a premier priced product that answers the question: What product offers the highest quality?
    D) a unique customer benefit that answers the question: What's it in for me?

20. Examples of _____ include a presence on Facebook, LinkedIn and Twitter.
    A) online advertising
    B) social media marketing
    C) Web sites
    D) blogging

21. Which of the following is not a useful advertising technique using a small budget?
    A) stealth advertising
    B) cooperative advertising
    C) specialty advertising
    D) shared advertising

22. _____ requires companies to bid on top-ranking search engine listings using key words that they expect Internet users to type into a search engine when they are interested in purchasing a particular product or service.
    A) Pay-per-click ads
    B) Interstitial ads
    C) Pop-up ads
    D) Contextual ads

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23. A pricing technique that sets different prices on the same products and services for different customers using the information that a company collects about its customers is called:
A) price skimming.
B) market penetration.
C) customized or dynamic pricing.
D) predatory pricing.

24. _____ is a short-term strategy that assumes that competition will eventually emerge.
A) Price lining
B) Life cycle pricing
C) Penetration pricing
D) Odd pricing

25. Which of the following is/are true regarding cost-plus pricing?
A) It encourages the manufacturer to operate efficiently.
B) It fails to guarantee the manufacturer a desired profit margin.
C) It fails to consider competitors' prices appropriately.
D) Only A and C

26. Which of the following businesses would be most likely to offer installment credit to its customers?
A) A convenience store
B) A printer
C) A retailer of major appliances
D) A clothing retailer

27. To be successful online, small companies must create Web sites with features that appeal to experienced Web shoppers, such as:
A) videos and blogs.
B) simple navigation and customer reviews.
C) solid security and quick access to product information.
D) The successful Web site will include all the above.

28. For entrepreneurial companies that lack brand and name recognition, and if building name recognition is one of the keys to success on the Web, one effective and affordable option may be to:
A) invest more in online promotion.
B) form strategic alliances with larger companies that can add credibility.
C) develop better brand recognition.
D) rely on viral marketing.

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29. Customers will typically welcome well-constructed permission e-mail that directs them to company sites for information or special deals, unlike unsolicited and universally despised e-mail known as:
A) electronic flyers.
B) spam.
C) voice mail.
D) clipboards.

30. Entrepreneurs should make sure they do not fall victim to any of the e-commerce myths. Which of the following is not an e-commerce myth?
A) Making money on the Web is easy.
B) If I launch a site, customers will flock to it.
C) Setting up a business on the Web is easy and inexpensive.
D) Privacy and site security is an important issue on the Web.

31. On a company's statement of cash flows, depreciation is:
A) creditors' total claims against the firm's assets.
B) listed as a source of funds because it is a noncash expense, already deducted as a cost of doing business.
C) the owner's total investment at the company's inception plus retained earnings.
D) the difference between the total sources available to the owner and the total uses of those assets.

32. Cash requirements can be determined by dividing cash expenses by:
A) total assets.
B) accounts receivables.
C) the average inventory turnover.
D) liabilities.

33. Which of the following combinations of ratios would indicate that a company is financially mismanaged and is not a good credit risk?
A) Low liquidity; high leverage
B) High liquidity; high leverage
C) Low liquidity; low leverage
D) High liquidity; low leverage

34. For the most meaningful interpretation, the small business owner should compare his firm's average collection period to:
A) a direct competitor.
B) other businesses in the same geographic area.
C) the universal standard of 25 days.
D) the average for the industry and the firm's credit terms.

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35. Which of the following statements concerning cash management is false?
A) Cash management involves forecasting, collecting, disbursing, investing, and planning for a company's cash needs.
B) Young companies tend to be "cash sponges," soaking up every available dollar of cash.
C) Cash is the most important, yet least productive, asset a small business owns.
D) Fast-growing businesses are least likely to experience shortages.

36. More companies fail for the lack of _____ than for the lack of _____.
A) vision; profit
B) net revenue; gross revenue
C) cash; profit
D) profit; cash

37. Which of the following is an effective way to trim overhead?
A) Negotiate fixed loan payments to coincide with company cash flow.
B) When able, buy instead of leasing.
C) Eliminate zero-based budgeting.
D) Hire more full-time employees; reduce the number of part-timers.

38. ABC Industries recently filled an order from one of its customers, XYZ Tools, a small tool supply store. XYZ's owner recently received an invoice from ABC for RM3,500 with selling terms of "3/15, net 30." Therefore:
A) the selling terms are offering XYZ a 3 percent discount if the bill is paid within 15 days; otherwise the full amount of the invoice is due in 30 days.
B) the selling terms indicate that XYZ has not yet qualified for a quantity discount and must pay the full amount of the invoice within 30 days.
C) the selling terms indicate that the full amount of the invoice is due within 30 days and XYZ will be subject to a 3 percent finance charge for every 15 days that the bill is past due.
D) the selling terms indicate that XYZ must pay 3 percent of the invoice by the 15th day of the month with the balance due in 30 days.

39. When searching for capital to launch their companies, entrepreneurs should remember several "secrets" to successful financing. Which of the following is not one of those secrets?
A) Raising money should not take very long; therefore, if it does not come quickly, it probably will not come at all.
B) The money is out there, but the key is knowing where to look.
C) Choosing the right sources of capital can be just as important as choosing the right form of ownership or the right location.
D) Creativity counts when searching for financing.

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40. The primary advantage of equity capital is:
    A) that it is readily available to a large number of entrepreneurs from a variety of lenders.
    B) its lower interest rate.
    C) that it does not have to be repaid like a loan does.
    D) that it does not appear on a company's balance sheet.

41. Which of the following is not a characteristic of a typical angel investor?
    A) Purchasing majority ownership in the company
    B) Investing money locally
    C) Willing to wait seven years or more to cash out an investment
    D) Investing in the startup phase of the company

42. Because of the risk/return tradeoff, small businesses that borrow money repay it with interest at the:
    A) prime interest rate minus a few percentage points.
    B) prime interest rate.
    C) lender's cost of capital.
    D) prime interest rate plus a few percentage points.

43. Asset-based borrowing permits small businesses:
    A) access to a source of funds ideally suited for long-term financing needs.
    B) to obtain loans more easily but with less borrowing power than using unsecured lines of credit.
    C) to borrow up to 100 percent of the value of their inventory or their accounts receivable for the money they need for long-term goals.
    D) to use normally unproductive assets such as accounts receivable and inventory.

44. A bank loan that imposes restrictions or covenants on the business decisions an entrepreneur makes concerning the company's operations is called a:
    A) home equity loan.
    B) term loan.
    C) line of credit.
    D) floor planning.

45. Locating close to _____ is critical for manufacturers, service providers and other companies that will be competitive.
    A) suppliers
    B) airports and rail transportation
    C) transportation routes
    D) markets they plan to serve

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46. Carmen is starting a childcare center. One location closed after a murder on the property and is near a neighborhood where there are many single parents. What city site selection factor might give Carmen problems with her childcare center?
A) Compatibility with the community
B) Police and fire protection
C) The reputation of the location
D) Transportation

47. Entrances should invite entry. The way to accomplish this is to:
A) have a big sign to attract customers.
B) have displays as close to the entry of the store as possible.
C) offer discounts.
D) have wide entryways and attractive displays set back from the doorway that can lure customers into the store.

48. _____ is the process of influencing and inspiring others to work to achieve a common goal and then giving them the power and the freedom to achieve it.
A) Leadership
B) Coordination
C) Management
D) Organizing

49. Luisa, the Director of Human Resources, is discussing the duties and responsibilities of a new position and its working conditions with Delmar, the manager over the position. Luisa and Delmar are discussing a:
A) job specification.
B) job description.
C) job analysis.
D) management audit.

50. Which of the following is not a recommended guideline for developing questions to ask candidates in job interviews?
A) Create hypothetical situations candidates would likely encounter on the job and ask how they would handle them.
B) Ask candidates to describe a recent success and a recent failure and how they dealt with them.
C) Ask only questions calling for "yes or no" answers to avoid any controversy regarding the direction the job interview took; this way, you have better control of the situation.
D) Develop a series of core questions and ask them of every candidate.

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SECTION B (50%) – SHORT ESSAY QUESTIONS

ANSWER **ANY TWO (2) OUT OF THREE** QUESTIONS

QUESTION 1

Elaborate and explain the **SEVEN (7)** steps of the creative process. (25 marks)

QUESTION 2

What are the **TEN (10)** myths of e-commerce? What can an entrepreneur do to avoid them? (25 marks)

QUESTION 3

The first place entrepreneurs should look for start-up money is in their own pockets. What are the **SEVEN (7)** common approaches used by entrepreneurs to self-finance part or all of their new businesses? (25 marks)

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